

## Idaho Public Utilities Commission

Case Nos. AVU-E-12-08 and AVU-G-12-07

February 28, 2013

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### Avista hearings are in Lewiston, Coeur d'Alene

Public hearings about a proposed settlement to the Avista Utilities rate case will be Monday night in Lewiston and Tuesday night in Coeur d'Alene.

At the hearings conducted by the Idaho Public Utilities Commission, Avista customers will be able to testify before the three commissioners who will decide the case. There is no presentation from the commission or Avista Utilities. The only purpose of the hearings is to take customer testimony.

The Lewiston hearing is March 4 at the Red Lion Hotel, 621 21<sup>st</sup> St. The Coeur d'Alene hearing is March 5 in the Driftwood Bay Room of the North Idaho College Student Union Building, 1000 W. Garden Ave. Both hearings begin at 7 p.m.

The proposed settlement divides Avista's request into two phases with a **4.9 percent** increase in natural gas rates on April 1 (Avista originally proposed 7.2 percent) and no electric increase. On Oct. 1, customers would get a net electric increase of **1.9 percent**. Avista originally proposed a 4.6 percent electric increase effective April 1. Also on Oct. 1, would be a **0.3 percent** in natural gas rates.

If the proposed increases are granted, the bill of an average residential electric customer who uses 930 kilowatt-hours per month would increase by about \$2 on Oct. 1. The gas increase for a residential customer who uses the company's average 60 therms per month would be about \$2.82 per month on April 1 and another 31 cents per month on October 1.

The proposed settlement states that Avista will not have base rates adjusted again until Jan. 1, 2015 at the earliest. The settlement allows Avista an opportunity to earn up to 7.9 percent on Rate of Return and a 9.8 percent Return on Equity.

Signatories to the proposed settlement are Avista Utilities, commission staff, the Clearwater Paper Association, Idaho Forest Group and the Community Action Partnership Association of Idaho, (CAPAI), which represents customers on low and fixed incomes.

The proposed electric increase, delayed until October 1, is a 3.1 percent increase to base rates. However, the settlement also proposes that customer receive a \$3.86 million credit due to an Avista settlement with the Bonneville Power Administration regarding BPA's use of Avista transmission lines over the last eight years. That credit would reduce the net increase in electric rates to an average 1.9 percent.

On the gas side, the company is allowed another 2 percent base rate increase on Oct. 1. However, that increase is offset by a reduction in the annual Purchased Gas Cost Adjustment (PGA) that reduces the increase to a net 0.3 percent.

Avista filed the case last October. About 70 percent of its electric revenue increase and 48 percent of its natural gas revenue increase are attributed to the need to replace aging infrastructure and upgrade existing plant. For example, the company replaces about 6,000 distribution poles each year. Other expense increases are related to hydroelectric plant relicensing, mercury emissions compliance and federal reliability requirements.

About 21 commission staff members are assigned to the case. They submitted 199 formal production requests and numerous formal and informal audit requests. Staff also reviewed the more than 300 data requests and responses that were part of the latest Avista electric and natural gas rate case filings in Washington state. Three Idaho staff accountants conducted a week-long on-site audit of Avista's books and reviewed work papers of external auditors.

The commission, by state law, cannot accept or deny a requested increase without first considering the evidence. State law requires that regulated utilities be allowed to recover their prudently incurred expenses and earn a reasonable rate of return, which is also set by the commission. The burden of proof is on the utility to demonstrate if additional expenses already incurred were needed to serve customers and, if so, were they prudently incurred. To read how a rate case is processed, go to the Commission's Website at [www.puc.idaho.gov](http://www.puc.idaho.gov) and click on the link, ***"Why can't you tell them NO?"*** under "Hot Links" in the upper right-hand corner.

A copy of the proposed settlement from the Commission's Web site is available at:

<http://tinyurl.com/aunwsd3>

Avista serves about 123,000 electric and 75,000 natural gas customers in northern Idaho.

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